

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6222

BILL NUMBER: SB 9

DATE PREPARED: Mar 31, 2001

BILL AMENDED: Mar 29, 2001

SUBJECT: Fire Protection Territory

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill provides that the ad valorem property tax levy limits apply to property taxes imposed by a unit that enters a fire protection territory created after June 30, 2001. It provides that for the calendar year following the year that a unit participates in the fire protection territory the ad valorem property tax levy limits do not apply to property taxes imposed by a unit for fire protection services.

This bill requires the legislative body of each unit creating a fire protection territory to give notice of and hold a public hearing before adopting an ordinance to create the territory. It specifies the information that must be included in the notice. The bill also provides that different property tax rates may apply in the units that make up the territory, so long as a rate applies uniformly to all of a unit's taxable property within the territory.

This bill also allows an agent of a volunteer fire department to collect service charges imposed by the volunteer fire department.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The participating units' legislative bodies would be required to hold hearings on the proposed ordinances to create the territory and to give notice of those hearings. The notices would also have to include a list of the participating units, the hearing time and place, a location for inspection of the ordinance, a statement as to whether the proposal includes uniform or different tax rates, and a contact for more information.

A local unit may have increased administrative costs associated with holding a public hearing to discuss the proposed ordinance.

Explanation of Local Revenues: (Revised) *Tax Rates:* Currently, units participating in a fire protection territory have a uniform rate for all units. The bill would allow participating units to have different tax rates. The bill could allow a shift of the responsibility of funding fire protection from one local unit to another unit if the units agree to different rates. As an example, one unit could have a \$0.25 tax rate while another, if both units agreed, could have a tax rate of \$0.50. There are currently three fire protection territories in the state. This bill would apply only to prospective territories.

The actual fiscal impact of this bill depends on local action.

Maximum Levies: Under current law, a participating unit's property tax levy for fire protection services within a fire protection territory is not subject to the unit's maximum permissible levy limit. Under this proposal, the fire protection levy would be subject to a unit's maximum permissible levy limit for any territory established after June 30, 2001. The maximum levy would not apply in the first year of the levy. It would apply each year, beginning with the second year of the levy. The fire protection levy for fire protection territories established before July 1, 2001, would continue to be outside of the maximum levy for all years.

A participating unit's maximum levy would be increased in the first year of the fire protection levy by the difference between the new fire protection levy (as a participating unit of the fire protection territory) and the old fire protection levy (before the unit entered the fire protection territory).

Service Charges: Under current law, volunteer fire departments may impose and collect service charges for services provided. This bill would allow an agent for the department to collect the service charges. Service fee collections could increase under this proposal if a department uses an agent. Likewise, if the agent provides the collection service for a fee, then local expenses could also increase.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Local units.

Information Sources: Local Government Database.